



House of Representatives

File No. 675

General Assembly

February Session, 2004

(Reprint of File No. 196)

Substitute House Bill No. 5521
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 26, 2004

**AN ACT CONCERNING THE DUTIES OF THE OFFICE OF POLICY
AND MANAGEMENT RELATIVE TO CERTAIN GRANT PROGRAMS
AND ESTABLISHING A TRANSPORTATION GRANTS AND
RESTRICTED ACCOUNTS FUND.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-20a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2004, and*
3 *applicable to assessment years commencing on or after October 1, 2003*):

4 (a) On or before January first, annually, the Secretary of the Office of
5 Policy and Management shall determine the amount due to each
6 municipality in the state, in accordance with this section, as a state
7 grant in lieu of taxes with respect to real property owned by any
8 private nonprofit institution of higher education or any nonprofit
9 general hospital facility or free standing chronic disease hospital or an
10 urgent care facility that operates for at least twelve hours a day and
11 that had been the location of a nonprofit general hospital for at least a
12 portion of calendar year 1996 to receive payments in lieu of taxes for
13 such property, exclusive of any such facility operated by the federal

14 government or the state of Connecticut or any subdivision thereof. As
15 used in this section "private nonprofit institution of higher education"
16 means any such institution, as defined in subsection (a) of section 10a-
17 34, or any independent college or university, as defined in section 10a-
18 37, that is engaged primarily in education beyond the high school
19 level, and offers courses of instruction for which college or university-
20 level credit may be given or may be received by transfer, the property
21 of which is exempt from property tax under any of the subdivisions of
22 section 12-81, as amended; "nonprofit general hospital facility" means
23 any such facility which is used primarily for the purpose of general
24 medical care and treatment, exclusive of any hospital facility used
25 primarily for the care and treatment of special types of disease or
26 physical or mental conditions; and "free standing chronic disease
27 hospital" means a facility which provides for the care and treatment of
28 chronic diseases, excluding any such facility having an ownership
29 affiliation with and operated in the same location as a chronic and
30 convalescent nursing home.

31 (b) The grant payable to any municipality under the provisions of
32 this section in the state fiscal year commencing July 1, 1999, and in
33 each fiscal year thereafter, shall be equal to seventy-seven per cent of
34 the property taxes which, except for any exemption applicable to any
35 such institution of higher education or general hospital facility under
36 the provisions of section 12-81, as amended, would have been paid
37 with respect to such exempt real property on the assessment list in
38 such municipality for the assessment date two years prior to the
39 commencement of the state fiscal year in which such grant is payable.
40 The amount of the grant payable to each municipality in any year in
41 accordance with this section shall be reduced proportionately in the
42 event that the total of such grants in such year exceeds the amount
43 appropriated for the purposes of this section with respect to such year.

44 (c) As used in this section and section 12-20b, as amended, the word
45 "municipality" means any town, consolidated town and city,
46 consolidated town and borough, borough, district, as defined in
47 section 7-324, and any city not consolidated with a town.

48 Sec. 2. Subsection (d) of section 12-81g of the general statutes is
49 repealed and the following is substituted in lieu thereof (*Effective from*
50 *passage*):

51 (d) The Secretary of the Office of Policy and Management shall
52 adopt regulations, in accordance with the provisions of chapter 54,
53 establishing: (1) A procedure under which a municipality shall
54 determine eligibility for the additional exemption under subsection (a)
55 of this section, provided such procedure shall include a provision that
56 when an applicant has filed for such exemption and received approval
57 for the first time, such applicant shall be required to file for such
58 exemption biennially thereafter, subject to the provisions of subsection
59 (e) of this section; (2) a procedure by which a person may make
60 application to the secretary for an extension of the application period
61 in the case of an extenuating circumstance due to illness or
62 incapacitation, or for other good cause as the secretary may determine,
63 and a procedure by which said secretary may grant such an extension;
64 (3) the manner in which a municipality shall apply for reimbursement
65 from the state for the revenue loss represented by the additional
66 exemptions provided for in subsections (a) and (b) of this section,
67 which shall require, for each person for whom reimbursement is
68 requested, information regarding the provision of section 12-81, as
69 amended, that qualifies such person for an exemption and the amount
70 of the exemption granted to such person under said provision, and
71 which shall provide a penalty for late filing of such application for
72 reimbursement of two hundred fifty dollars but shall also provide that
73 the secretary may waive such forfeiture in accordance with procedures
74 and standards contained in such regulations; and [(3)] (4) the manner
75 in which the Office of Policy and Management may audit and make
76 adjustments to applications for reimbursement from municipalities for
77 a period of not more than one year next succeeding the deadline for
78 such application.

79 Sec. 3. Section 12-81g of the general statutes is amended by adding
80 subsection (f) as follows (*Effective from passage*):

81 (NEW) (f) Notwithstanding the provisions of subsection (a) of this
82 section, the Social Security income of the spouse of a person making
83 application for exemption from property tax under subsection (a) of
84 this section shall not be included in the qualifying income of such
85 person, for purposes of determining eligibility for said exemption, if
86 such spouse is a resident of a health care or nursing home facility in
87 this state receiving payment related to such spouse under the Title XIX
88 Medicaid program.

89 Sec. 4. Section 12-94b of the general statutes, as amended by section
90 184 of public act 03-6 of the June 30 special session, is repealed and the
91 following is substituted in lieu thereof (*Effective from passage*):

92 On or before March fifteenth, annually, commencing March 15,
93 1998, the assessor or board of assessors of each municipality shall
94 certify to the Secretary of the Office of Policy and Management, on a
95 form furnished by said secretary, the amount of exemptions approved
96 under the provisions of subdivisions (72) and (74) of section 12-81, as
97 amended, together with such supporting information as said secretary
98 may require including the number of taxpayers with approved claims
99 under said subdivisions (72) and (74) and the original copy of the
100 applications filed by them. On or after March 1, 2005, any municipality
101 which neglected to certify to the secretary the amount of exemptions
102 approved under subdivisions (72) and (74) of section 12-81, as
103 amended, together with the supporting information, shall forfeit two
104 hundred fifty dollars to the state, provided said secretary may waive
105 such forfeiture in accordance with procedures and standards adopted
106 by regulation in accordance with chapter 54. Said secretary shall
107 review each such claim as provided in section 12-120b, as amended by
108 this act. Not later than December [first] fifteenth next succeeding the
109 conclusion of the assessment year for which the assessor approved
110 such exemption, the secretary shall notify each claimant of the
111 modification or denial of the claimant's exemption, in accordance with
112 the procedure set forth in section 12-120b, as amended by this act. Any
113 claimant aggrieved by the results of the secretary's review shall have
114 the rights of appeal as set forth in section 12-120b, as amended by this

115 act. With respect to property first approved for exemption under the
116 provisions of subdivisions (72) and (74) of section 12-81, as amended,
117 for the assessment years commencing on or after October 1, 2000, the
118 grant payable for such property to any municipality under the
119 provisions of this section shall be equal to eighty per cent of the
120 property taxes which, except for the exemption under the provisions of
121 subdivisions (72) and (74) of section 12-81, as amended, would have
122 been paid. The secretary shall, on or before December fifteenth,
123 annually, certify to the Comptroller the amount due each municipality
124 under the provisions of this section, including any modification of
125 such claim made prior to December [first] fifteenth, and the
126 Comptroller shall draw an order on the Treasurer on or before the
127 twenty-fourth day of December following and the Treasurer shall pay
128 the amount thereof to such municipality on or before the thirty-first
129 day of December following. If any modification is made as the result of
130 the provisions of this section on or after the December fifteenth
131 following the date on which the assessor has provided the amount of
132 the exemption in question, any adjustments to the amount due to any
133 municipality for the period for which such modification was made
134 shall be made in the next payment the Treasurer shall make to such
135 municipality pursuant to this section. The amount of the grant payable
136 to each municipality in any year in accordance with this section shall
137 be reduced proportionately in the event that the total of such grants in
138 such year exceeds the amount appropriated for the purposes of this
139 section with respect to such year. As used in this section,
140 "municipality" means each town, city, borough, consolidated town and
141 city and consolidated town and borough and each district, as defined
142 in section 7-324, and "next succeeding" means the second such date.

143 Sec. 5. Subdivision (4) of subsection (d) of section 12-120b of the
144 general statutes is repealed and the following is substituted in lieu
145 thereof (*Effective July 1, 2004, and applicable to certifications by the*
146 *Secretary of the Office of Policy and Management on and after July 1, 2001*):

147 (4) [Not later than the date by which the secretary is required to
148 certify to the Comptroller the amount of payment with respect to any

149 such program, the] The secretary shall notify each claimant of the final
150 modification or denial of financial assistance as claimed, in accordance
151 with the procedure set forth in this subsection. A copy of the notice of
152 final modification or denial shall be sent concurrently to the assessor or
153 municipal official who approved such financial assistance. With
154 respect to property tax exemptions under section 12-81g, as amended
155 by this act, or subdivision (55), (59), (60) or (70) of section 12-81, and
156 tax relief pursuant to section 12-129d or 12-170aa, as amended, the
157 notice pursuant to this subdivision shall be sent not later than one year
158 after the date claims for financial assistance for each such program are
159 filed with the secretary. For property tax exemptions under
160 subdivision (72) or (74) of section 12-81, as amended, such notice shall
161 be sent not later than the date by which a final modification to the
162 payment for such program must be reflected in the certification of the
163 secretary to the Comptroller. For the program of rebates under section
164 12-170d, such notice shall be sent not later than the date by which the
165 secretary certifies the amounts of payment to the Comptroller.

166 Sec. 6. Section 12-170aa of the general statutes, as amended by
167 section 183 of public act 03-6 of the June 30 special session, is amended
168 by adding subsection (k) as follows (*Effective July 1, 2004, and applicable*
169 *to claims for reimbursement filed on and after July 1, 2001*):

170 (NEW) (k) If the Secretary of the Office of Policy and Management
171 makes any adjustments to the grants for tax reductions or assumed
172 amounts of property tax liability claimed under this section
173 subsequent to certifying to the Comptroller the payment of said grants
174 in any year, the amount of such adjustment shall be reflected in the
175 next payment the Treasurer shall make to such municipality pursuant
176 to this section.

177 Sec. 7. Section 13b-68 of the general statutes, as amended by section
178 58 of public act 03-115, is repealed and the following is substituted in
179 lieu thereof (*Effective July 1, 2004*):

180 (a) There is established a fund to be known as the "Special

181 Transportation Fund". The fund may contain any moneys required or
182 permitted by law to be deposited in the fund and any moneys
183 recovered by the state for overpayments, improper payments or
184 duplicate payments made by the state relating to any transportation
185 infrastructure improvements which have been financed by special tax
186 obligation bonds issued pursuant to sections 13b-74 to 13b-77,
187 inclusive, as amended, and shall be held by the State Treasurer
188 separate and apart from all other moneys, funds and accounts.
189 Investment earnings credited to the assets of said fund shall become
190 part of the assets of said fund. Any balance remaining in said fund at
191 the end of any fiscal year shall be carried forward in said fund for the
192 fiscal year next succeeding.

193 (b) There is established a fund to be known as the "Transportation
194 Grants and Restricted Accounts Fund". Upon certification by the
195 Comptroller and the Secretary of the Office of Policy and Management
196 that the CORE-CT project for fiscal services is operational, the fund
197 shall contain all transportation moneys that are restricted, not available
198 for general use and previously accounted for in the Special
199 Transportation Fund as "Federal and Other Grants. The Comptroller is
200 authorized to make such transfers as are necessary to provide that,
201 notwithstanding any provision of the general statutes, all
202 transportation moneys that are restricted and not available for general
203 use are in the Transportation Grants and Restricted Accounts Fund.

204 Sec. 8. (NEW) (*Effective July 1, 2004*) There is established a fund to be
205 known as the "Grants and Restricted Accounts Fund". Upon
206 certification by the Comptroller and the Secretary of the Office of
207 Policy and Management that the CORE-CT project for financial
208 services is operational, the fund shall contain all moneys that are
209 restricted, not available for general use and previously accounted for
210 in the General Fund as "Federal and Other Grants". The Comptroller is
211 authorized to make such transfers as are necessary to provide that,
212 notwithstanding any provision of the general statutes, all moneys that
213 are restricted and not available for general use are in the Grants and
214 Restricted Accounts Fund.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004, and applicable to assessment years commencing on or after October 1, 2003</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage</i>
Sec. 5	<i>July 1, 2004, and applicable to certifications by the Secretary of the Office of Policy and Management on and after July 1, 2001</i>
Sec. 6	<i>July 1, 2004, and applicable to claims for reimbursement filed on and after July 1, 2001</i>
Sec. 7	<i>July 1, 2004</i>
Sec. 8	<i>July 1, 2004</i>

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Policy & Mgmt., Off.	Cost	Minimal	Minimal
Policy & Mgmt., Off.	Savings	Potential Minimal	Potential Minimal

Municipal Impact: None

Explanation

Section 1 redefines private colleges and universities for the purposes of the PILOT Private College and Hospital program administered by the Office of Policy and Management (OPM), which result in no fiscal impact.

Section 2 permits the regulations for the state-reimbursed Additional Exemption for Income Eligible Veterans to be amended to allow claimants to request an extension of the application deadline, which results in no fiscal impact.

Section 3 allows married veterans under the additional veterans property tax exemption program to exclude a spouse's social security income if the spouse resides in a Medicaid funded health care or nursing home facility. This will result in increased eligibility for the program, and thus increased costs. Although the extent of these costs are unknown, they are not expected to be significant. The law already allows this for elderly and disabled homeowners, and of the 43,959 claims in that account, only 256 or 0.58%, qualified because of the income disregard, thus a similar pattern is expected in the additional veterans property tax exemption program.

Section 4 requires the Office of Policy and Management (OPM) to

adopt regulations that would impose a \$250 forfeiture requirement for towns that fail to certify the real and personal property tax exemptions granted to businesses under the Manufacturing Machinery and Equipment and Commercial Vehicles Exemption. This may result in a minor cost savings to the account, which is not expected to be significant.

Sections 5 and 6 make administrative changes, which result in no fiscal impact.

Finally, Section 501 makes technical changes that will allow the state's CORE-CT accounting system to more accurately account for expenditures.

House "A" adds section 501, which results in no fiscal impact.

OLR BILL ANALYSIS

sHB 5521 (as amended by House "A")*

AN ACT CONCERNING THE DUTIES OF THE OFFICE OF POLICY AND MANAGEMENT RELATIVE TO CERTAIN GRANT PROGRAMS**SUMMARY:**

This bill makes mostly administrative changes to the programs under which the state reimburses towns for property tax exemptions granted to veterans, elderly and disabled people, and businesses. Most are similar to corresponding provisions in other tax exemption programs.

The bill makes more veterans eligible for the additional veterans' property tax exemption by allowing married veterans to exclude a spouse's Social Security income if the spouse resides in a Medicaid-funded health care or nursing home facility. The law already allows this for elderly and disabled homeowners and renters who qualify for property tax relief.

The bill extends the deadlines by which the Office of Policy and Management (OPM) must notify:

1. businesses and elderly and disabled homeowners about their claims for property tax exemptions, and
2. tax collectors about their claims for reimbursement under the elderly tax freeze programs.

The bill imposes the same \$250 forfeiture requirement on towns when they fail to certify the property tax exemptions for manufacturing machinery and equipment and freight-hauling motor vehicles. The \$250 forfeiture already applies when towns fail to certify the real and personal property tax exemptions for businesses in enterprise zones and other designated areas.

The bill gives the OPM secretary the same authority to adjust grants under the elderly and disabled homeowners tax relief program that he has under other programs that reimburse towns for tax exemptions.

It tightens the criteria a private college or university has to meet in order for the town to qualify for the statutory, state-reimbursed property tax exemption for these institutions.

Lastly, the bill creates two separate funds as repositories for restricted federal and other grants that are not available for general use.

*House Amendment "A" creates the two separate funds for restricted grants.

EFFECTIVE DATE: Upon passage for the provisions regarding the additional veterans' property tax exemption and reimbursement for the machinery and equipment and freight-hauling motor vehicle property tax exemptions. The provisions creating the separate funds and establishing eligibility criteria for the tax exemption for private colleges and universities take effect July 1, 2004 and, with respect to the latter, apply to assessment years beginning on or after October 1, 2003. The provisions extending the deadlines by which OPM must notify certain parties claiming tax exemptions or reimbursements take effect July 1, 2004 and apply to certifications the secretary makes on or after July 1, 2001. And the provision allowing OPM to adjust reimbursement amounts takes effect July 1, 2004 and applies to reimbursement claims filed on or after July 1, 2001.

ADDITIONAL VETERANS' PROPERTY TAX EXEMPTION

Social Security Income

The bill changes the income criteria under which veterans qualify for the additional state-reimbursed property tax exemption. As under the elderly and disabled tax relief programs, the bill excludes the Social Security income of a veteran's spouse if the spouse resides in a Medicaid-funded health care or nursing home facility. The law requires towns to provide a basic and an additional veterans' property tax exemption and allows them to provide a third exemption if they so choose. The amount of exemption for the second, additional exemption depends on a veteran's income.

Deadline Extension

The bill also requires the OPM secretary to adopt regulations for

extending the October 1 deadline by which veterans must apply for the additional exemption. The regulations must specify the process for requesting and granting an extension, which the secretary may grant for extenuating circumstances due to illness or incapacitation or, as he determines, for other good cause.

Additional Information

The bill also requires OPM to adopt regulations under which it must require towns to provide information about veterans' eligibility for the additional exemption. OPM must require towns to provide this information when they apply for the state reimbursement.

DEADLINE FOR NOTIFYING CLAIMANTS ABOUT CHANGES

The bill changes the deadlines by which the secretary must notify people and businesses when he changes or denies their claims for state-reimbursed property tax abatements. Current law requires him to notify the claimants and the appropriate local officials no later than the statutory deadline by which he must certify the claim amounts to the comptroller (in most cases, December 1).

The bill extends, from December 1 to December 15, the secretary's deadline for notifying a business about whether he modified or denied its claim for the tax exemption for manufacturing machinery and equipment and freight-hauling equipment. (Businesses must submit their claims to the tax assessor, who sends them to OPM for approval. OPM then reimburses towns for the revenue loss.) The bill correspondingly extends, from December 1 to December 15, the deadline by which the secretary must certify the grant amounts to the comptroller.

The bill also extends the notification deadlines for other tax exemption programs from December 1 to one year after the statutory deadline for filing claims under these programs. The deadline for filing claims under the tax exemption programs for elderly and disabled homeowners and people with total disabilities is July 1. Consequently, the bill gives the secretary up to June 30 to notify these taxpayers about whether he modified or denied their claims.

The deadline for filing claims under the enterprise zone program is August 1. Hence, the bill gives the secretary up to July 30 to notify

these taxpayers about whether he modified or denied their claims.

Lastly, the deadline for filing claims under the elderly tax freeze program is January 1. Hence, the bill gives the secretary up to December 30 to notify these taxpayers about whether he modified or denied their claims.

FORFEITURE

Beginning March 1, 2005, towns must forfeit \$250 to the state if they fail to certify exemptions for manufacturing machinery and equipment and freight-hauling motor vehicles. But, as with the enterprise zone exemptions, the secretary can waive the forfeiture for reasons he must specify in regulations.

ADJUSTING CLAIMS UNDER THE ELDERLY AND DISABLED HOMEOWNER TAX RELIEF PROGRAM

The bill allows the secretary to adjust a town's claim for reimbursement under the elderly and disabled homeowner tax relief program to reflect changes he made to the previous claim after he certified the amount to the comptroller. The law already allows him to adjust claims in this manner for reimbursements under the manufacturing machinery and equipment and freight-hauling motor vehicle tax relief program.

TAX EXEMPTION FOR PRIVATE INSTITUTIONS OF HIGHER EDUCATION

The bill tightens the criteria the secretary uses to determine if the state will reimburse towns for a property tax exemption granted to a private college or university. Under current law, a town qualifies for reimbursement if the institution provides instruction beyond the high school level. Under the bill, the institution must also meet the statutory definition of a "private institution of higher education" or "independent college or university" and offer college- or university-level courses for credit that may be transferred to other colleges and universities.

A college or university is a private institution of higher education if it is licensed or accredited to offer one or more higher education degree programs. It can be a person, school, board, association, limited

liability company, or corporation. Alternatively, a college or university qualifies as an independent college or university if it:

1. is a nonprofit institution established in Connecticut,
2. is authorized to grant degrees here,
3. has its home campus in Connecticut,
4. is not part of the state's higher education system, and
5. is an institution whose primary function is not the preparation of students for religious vocation.

RESTRICTED FUNDS

This bill creates two separate funds as repositories for restricted federal grants that are not available for general use. The Transportation Grants and Restricted Accounts Fund will contain the covered federal transportation grants currently deposited in the Special Transportation Fund. The state comptroller can transfer the grants into this fund once she and the OPM secretary certify that the CORE-CT (the state's new accounting system) project for fiscal services is operational.

The Grants and Restricted Accounts Funds will contain the covered grants currently deposited in the General Fund. The state comptroller can also transfer the grants into this fund once she and the OPM secretary certify that the CORE-CT project for financial services is operational. Separation of these funds will allow the state to more accurately account for expenditures.

BACKGROUND

Related Bill

sHB 5170 (File 370) contains identical provisions creating the separate restricted funds.

Legislative History

The House referred the bill to the Public Health; Finance, Revenue and Bonding; and Higher Education and Employment Advancement Committees on March 30, April 13, and April 20, respectively. These committees favorably reported the bill on April 7, April 15, and April 21, respectively.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Report

Yea 18 Nay 0

Public Health Committee

Joint Favorable Report

Yea 20 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 42 Nay 0

Higher Education and Employment Advancement Committee

Joint Favorable Report

Yea 16 Nay 2